



EUROPEAN UNION
DELEGATION TO THE UNITED STATES OF AMERICA

The Head of Delegation

Washington, 4 January 2019
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The Honorable Charles E. Schumer
Minority Leader
United States Senate
Washington, DC 20510

Dear Leader Schumer,

As Ambassadors to the United States representing Austria, France, Germany, Ireland, Italy, Sweden, the United Kingdom, and the European Union, we welcome the recent action by the US Department of Treasury in submitting to Congress its report on the proposed delisting of RUSAL and EN+.

The European Union and its Member States are committed to maintaining a robust transatlantic economic sanctions regime against Russia. We continue to stand with the US in enforcing sanctions related to Russia's aggression in Eastern Ukraine and the illegal annexation of Crimea. We believe that close cooperation and coordination with the United States has been and remains the central pillar in achieving a change in Russia's behavior.

Since Russia's actions in Ukraine in 2014, the European Union has prolonged its sanctions every six months and reacted to violations with further designations. Moreover, the EU has continued to act in order to build up resilience, including expelling Russian diplomatic personnel after the Salisbury attack and agreeing in October 2018 to a new sanctions regime against chemical weapons attacks. More recently, the European Union issued a declaration of concern over the escalating tensions in the Azov Sea.

Within this context, we understand the rationale under which Russian oligarchs had been designated on April 6, 2018 on the basis of CAATSA. Regarding the most prominent case of Mr. Oleg Deripaska and companies linked to him, we note Treasury Secretary Mnuchin's remarks that the sanctions were never intended "to target the hardworking people who depend on RUSAL and its subsidiaries." Nevertheless, it is crucial that the sanctions avoid unintended consequences for European companies and the delisting of RUSAL and EN+ is an important step in mitigating such consequences.

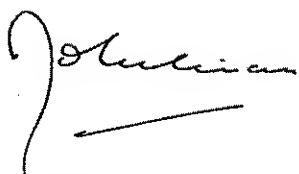
Since the sanctions were imposed, alumina and aluminium plants in Austria, France, Germany, Ireland, Italy, Sweden, and the United Kingdom have faced increased prices and significant challenges in maintaining their daily operations, securing new sales contracts and renewing existing contracts with longtime customers (see attached Annex). The delisting of RUSAL and EN+ will safeguard these plants and the livelihoods of 75,000 workers across the European Union (2,600 in four EU alumina refineries, 13,000 in aluminium smelters and 60,000 in related manufacturing facilities). Moreover, by preventing serious damage to the European aluminium industry, the delisting will help to preserve existing supply chains which would otherwise likely be rerouted to China, further strengthening its global market position in the industry.

We are grateful for the engagement of US officials on this matter, and in particular the issuance of short term licenses (and license extensions) that have enabled these plants to remain operational over the last six months. We believe the changes in ownership and governance of RUSAL and EN+ which the US has secured will significantly reduce Mr. Deripaska's control of both firms, eliminate his financial gain and ultimately strengthen and secure the European aluminium industry.

Finally, as Congress undertakes its review, we would like to offer you our assistance in providing any additional information you may need. Please do not hesitate to contact any one of us if we can be of assistance in your deliberations.

Thank you for your continued openness and readiness to discuss these issues with European partners and allies.

Yours Sincerely,



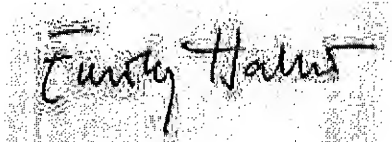
David O'Sullivan
Ambassador of the European Union



Dr. Wolfgang Waldner
Ambassador of Austria

A stylized, handwritten signature in black ink, appearing to be 'Gerard Araud'.


Gerard Araud
Ambassador of France

A handwritten signature in black ink, appearing to be 'Emily Haber'.

Emily Haber
Ambassador of Germany

A handwritten signature in black ink, appearing to be 'Dan Mulhall'.

Dan Mulhall
Ambassador of Ireland

A handwritten signature in black ink, appearing to be 'Armando Varricchio'.

Armando Varricchio
Ambassador of Italy

A handwritten signature in black ink, appearing to be 'Karin Olofsdotter'.

Karin Olofsdotter
Ambassador of Sweden

A handwritten signature in black ink, appearing to be 'Kim Darroch'.

Kim Darroch
Ambassador of the United Kingdom

Attachment: Impact Of Us Sanctions On The European Aluminium Industry

IMPACT OF US SANCTIONS ON THE EUROPEAN ALUMINIUM INDUSTRY

US Sanctions announced on April 6, 2018 against Russian oligarch Oleg Deripaska and companies in which he has a controlling interest, including United Company RUSAL and EN+ Group, have presented a serious risk to the European aluminium market, while also threatening US imports of aluminium. RUSAL is a leading global supplier of aluminium and alumina (an essential ingredient in processing aluminium), providing 6% of the world's supply of alumina and aluminium, including 20% of EU's primary aluminium consumption and 14% of US aluminium consumption. Few alternatives are available, with limited capacity to increase output in Europe or the Middle East, leaving China as the primary alternative supplier. Unintended consequences of these sanctions have impacted economic operators across Europe, with operations in **Austria, France, Germany, Ireland, Italy, Sweden and the United Kingdom** detailed below.

Austria

AMAG Austria Metall AG (AMAG) is a supplier of high-quality aluminium products for further processing in many growth sectors. In Austria, AMAG employs around 2,000 people and produces aluminium rolled products and aluminium foundry alloys. To secure the supply of primary aluminium, AMAG also holds a 20% interest in the Alouette smelter in Canada. Because of the sanctions against RUSAL, the worldwide availability of alumina has worsened and prices for this raw material have risen dramatically, materially negatively impacting the primary aluminium industry in North America and Europe. If these sanctions continue, there could be a significant shortage and a sharp price increase for primary aluminium, affecting the price and demand for aluminium semi-finished products (e.g., aluminium sheets, plates) and negatively impacting AMAG's business in Austria.

France

2000 jobs are immediately at stake in France as two smelters (**RTA in Dunkerque**, and **Trimet in Saint-Jean-de-Maurienne**) rely almost exclusively on alumina processed by the Rusal-owned Aughinish refinery in Ireland. All subcontractors would be hit by severe aluminium shortages in vital sectors such as construction, defense and the car industry. 10,000 jobs would be at risk in 150 industrial sites.

Germany

Rusal and its subsidiaries are of decisive importance for Germany's supply of aluminium oxide (alumina) to four **aluminium smelters in Essen, Hamburg, Neuss and Voerde** that support over 1,000 jobs. Rusal accounts for one-third of Germany's alumina imports and 30% of Germany's aluminium imports. The sanctions have led to considerable shifts in the German market, disrupting the supply of aluminium oxide and threatening to do the same with the supply of raw aluminium. In addition, the price of alumina has skyrocketed over 60% per ton since January 2, 2018 so that it is no longer economically profitable, causing the German aluminium industry to reduce their production by up to 20 percent, losing more than 1,000 direct jobs. This situation poses a threat to the existence of the entire aluminium and processing industry and could cause lasting damage to downstream industries such as automotive, aviation, and construction. Due to the uncertain environment, the aluminium industry could not promise sufficient supplies to its customer base beyond December 2018.

Ireland

Aughinish Alumina (AA) has produced alumina on the banks of the Shannon in County Limerick since 1983 and contributes €130 million to the local economy. The largest company in the region, it directly employs 460 staff and 200 long term contractors and indirectly supports an additional 1,000 jobs. AA was acquired by Rusal in 2007, but is operationally independent from its parent company and maintains an Irish workforce and Irish management team. AA is critical to the European alumina and aluminium industries, providing approximately 30% of the continent's total supply of alumina used by smelters across Europe. Closure of the AA facility would therefore result in extensive job losses across the EU while damaging other key downstream industries.

Italy

Eurallumina is based in Portoscuso (Cagliari, Sardinia) and operates a bauxite refining plant, with alumina production located in the industrial hub of Portovesme. The alumina refinery opened in May 1973 and since March 2007, the company has been 100% owned by Rusal. Full production was suspended in 2009 following the global economic crisis and currently 80 workers, working continuously on a shift-basis, ensure the preservation and maintenance of the refinery so that it is ready to start up again. The 261 employees benefit from a wages guarantee fund provided by the Italian government. A €140 million modernization and restoration plan has been drawn up and is ready to support the restart of production, involving a €83 million direct contribution by the Italian government. Once restarted, the refinery would have 342 direct employees and 130 contract workers and would provide a much needed economic boost to the Sulcis Iglesiente region, one of the most depressed areas in Italy.

Sweden

Kubal is Sweden's only producer of primary aluminium. Its smelter employs almost 500 workers in the city of Sundsvall in rural Sweden. The smelter has been in business since 1942 and provides half of Sweden's aluminium supply. Closure of the smelter would risk an additional 2,000 indirect jobs and would lead to substitute imports from other countries, including China and Russia. Rusal became the sole owner in 2007.

United Kingdom

Rusal's Aughinish operation is the sole supplier of alumina to **Liberty Aluminium** at Lochaber in the Scottish Highlands, the UK's only primary aluminium producer. All other potential sources of alumina are significantly more expensive – especially in light of constricted global supply – or not of the required quality. The Lochaber complex employs around 170 people directly and sustains employment for over 300 people locally, in addition to the many hundreds of jobs which are associated with downstream usage of the aluminium. The majority of Lochaber workers receive higher-than-average wages for the region. If Rusal is unable to supply alumina to Liberty, it could cease to be commercially viable. Further to this direct impact, the UK downstream aluminium processing industry – which employs over 3,000 people across the country – would see increased raw material costs across the board with no option but to pass those on to key customer industries. Among the businesses they supply are automotive manufacturers, which themselves face challenging market conditions and aim to increase aluminium content to reduce the weight of their vehicles. Constrictions in the supply of primary aluminium from Rusal, and the EU smelters that are reliant on it for alumina, could see up to 10% of UK downstream aluminium production cease.

